

Department of State  
FY12 Service Contract Inventory  
*Inventory Analysis Report*

Report Number A.EX.CSM.SCI.0003  
December 2013



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## 1. Executive Summary

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The Department of State (Department) contracts for services it requires around the world and this is a task which evolves and changes according to current events. The Department continues to examine and improve its procurements in accordance with pertinent policies. One of those policies is meeting the Office of Management and Budget's (OMB) requirement to perform an annual inventory of service contracts to determine whether there is an overreliance on contractors and to affirm that inherently governmental (IG) functions are not procured via contract.

Testifying before the House Subcommittee on National Security, Homeland Defense, and Foreign Operations on October 12, 2011 on the transition to a civilian-led mission in Iraq, Under Secretary for Management Patrick Kennedy stated that, "Throughout our contracting efforts, the Department is always cognizant of IG functions, and we contract for services that are not IG."

OMB released guidelines in a November 5, 2010 memorandum<sup>1</sup> to Chief Acquisition Officers and Senior Procurement Executives mandating that civilian agencies prepare an annual inventory of service contracts. OMB requires agencies to conduct an annual inventory of service contracts with a dollar value greater than \$25,000, including those contracts carried out on their behalf by other agencies. This is an annual reporting requirement with the data collection and analysis phase to be completed by June 30<sup>th</sup> of each year followed by the Department's submission in December of the same calendar year.

Given the constraints of the sequester, examining costs across private and public sectors is prudent to determine how best to absorb pending cuts. As the Federal Activities Inventory Reform (FAIR) Act and the Service Contract Inventory (SCI) become more intertwined, they can be leveraged to assist in this endeavor. Connecting Government Full-Time Equivalents (GFTE) with contractor costs will underpin cost comparisons to analyze total expenditures by function.

The Collaborative Strategy and Management office within the Bureau of Administration's Executive Office (A/EX/CSM) of the United States Department of State performed the OMB mandated analysis on service contracts in accordance with section 743(e) of Division C of the FY 2010 Consolidated Appropriations Act, P.L. 111-117. The analysis sought to determine whether or not the Department was contracting for IG functions, as well as to help identify if the Department was over reliant on contractors for Closely Associated to Inherently Governmental (CAIG) functions.

The analysis sought the views of more than one hundred acquisition and program staff, including Contracting Officers (CO), Contracting Officer Representatives (COR), Government Technical Monitors (GTM) and Program/Project Managers (PM). A/EX/CSM reviewed 103 contracts over the \$25,000 threshold established by OMB, representing approximately \$2.6 billion in acquisitions. This figure represents a decrease from last year's total value by approximately

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<sup>1</sup> The OMB Service Contract Inventory Memorandum can be found in Appendix D.

\$500,000,000. A/EX/CSM conducted a survey with the relevant acquisition and program staff, and followed the survey with meetings to clarify and analyze ambiguous responses.<sup>2</sup>

The analysis focused on contracts involving “special interest functions,” or those at a higher risk of workforce imbalance, including professional and management services and information technology support services. The analysis also highlighted recommendations from the acquisition and program staff on what is needed to further strengthen the government’s oversight of contractor performance. The SCI<sup>3</sup> analysis revealed:

- None of the analyzed contracts included unauthorized personal services.
- Contractors performed CAIG functions on 39% of procurements reviewed in the analysis; CAIG functions are allowed to be performed by contractors or in-house personnel.
- Contractors did not perform IG activities on any of the 67 contracts reviewed.
- Total contract values for Product or Service Codes (PSC) reviewed this year was \$5.9B. The actual value of the contracts that was reviewed this year was \$2.6B or 44% of the total value of contracts in these PSC.

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<sup>2</sup> We contacted a total of 103 contract personnel and received responses from 67. The 36 respondents who did not return the surveys were located in numerous bureaus throughout the Department .

<sup>3</sup> The summary of the Service Contract Inventory can be found in Appendix C.

## 2. Service Contract Inventory Information

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### 2.1. Background

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A/EX/CSM conducted the Department's Service Contract Inventory in accordance with criteria stated in the November 5, 2010 OMB Service Contract Inventory memorandum,<sup>4</sup> and Section 743 of Division C of the FY 2010 Consolidated Appropriations Act, P.L. 111-117. These criteria require every executive branch civilian agency to compile a list of service contracts performed for, or on behalf of, the agency during the prior fiscal year.

OMB requires agencies to perform a meaningful analysis as part of this inventory process. The purpose of the analysis is to determine if proper oversight exists for work identified as CAIG and to also ensure that contractors are not performing IG work. As required by section 743(e), the analysis should also identify contracts that have been poorly performed, as determined by the responsible contracting officer, because of excessive costs or inferior quality; and contracts that should be considered for conversion to:

- (I) performance by federal employees of the executive agency in accordance with agency insourcing guidelines required under section 736 of the Financial Services and General Government Appropriations Act, 2009 (Public Law 111-8, division D) and OMB Memorandum M-09-26; or
- (II) an alternative acquisition approach that would better enable the agency to efficiently utilize its assets and achieve its public mission.

A direct result of the SCI inventory analysis is that agency managers gain insight into where, and the extent to which, contractors are used to perform activities by analyzing how contracted resources are distributed by function and location across the agency and within the bureaus. This insight is especially important for contracts whose performance may involve critical functions or CAIG functions. Information about how contract resources are distributed may help determine if the Department practices are creating an over-reliance on contractors.

To that end, the assessment team began the SCI data collection in February 2013. Analysis of the data collected began in June 2013 and the Department will meet the OMB required submission date of December 31, 2013.

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<sup>4</sup> See Appendix D for the OMB Memorandum.

## **2.2. Linkage Between the Service Contract Inventory and other Department Initiatives**

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### **The Quadrennial Diplomacy and Development Review (QDDR)**

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The Quadrennial Diplomacy and Development Review (QDDR) seeks to strengthen the Department's accountability and capacity to deliver results in a changed world by improving the integration and coordination of whole-of-government efforts and through a series of specific reforms in personnel, procurement, and planning. Some of the actions the Department intends to pursue include:

- continuing to build and support a workforce well-matched to the challenges of the 21<sup>st</sup> century, and ensure that we are deploying the right people to the right places at the right time;
- changing the way we prepare, award, manage, and monitor contracts to ensure that IG functions are carried out by government personnel and that the contracts we do award serve our strategic interests and deliver results for the American taxpayer;
- managing for results through more effective strategic planning and budgeting, data collection, and performance monitoring; and
- consolidating the Department's services, making sure to deliver supportive quality services and ensure further efficiencies and cost savings in the field.

Taken collectively, these efforts provide the foundation for a more transparent and more effective Department.

The results of the annual SCI can be a tool to develop trend analyses, track financial expenditures by PSC and Special Interest Functions, and monitor how well the Department is reforming its human resources, procurement, and planning capabilities to meet the needs of the 21<sup>st</sup> century.

### **The FAIR ACT**

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The FAIR Act of 1998 requires the head of each executive agency to submit, by the end of the third quarter of each fiscal year, a list of activities performed by federal employees that are classified as either IG or commercial. IG is defined as a function that is so intimately related to the public interest as to require performance by Federal Government employees. Examples of IG functions include the following actions:

- to bind the United States to take or not to take some action by contract, policy, regulation, authorization, order, or otherwise;
- to determine, protect, and advance United States economic, political, territorial, property, or other interests by military or diplomatic action, civil or criminal judicial proceedings, contract management, or otherwise;

- to significantly affect the life, liberty, or property of private persons;
- to commission, appoint, direct, or control officers or employees of the United States; or
- to exert ultimate control over the acquisition, use, or disposition of the property, real or personal, tangible or intangible, of the United States, including the collection, control, or disbursement of appropriated and other federal funds.

The SCI currently provides dollar amounts expended on contracts. It is anticipated that future SCI submissions will need to identify the number of contractor employees and first tier subcontractor employees, the total dollar amount invoiced for services, and the role the services play in achieving agency objectives. This information, coupled with the FAIR Act information, will provide the Department with a more accurate understanding of ‘*how many*’ Full-Time Equivalents (FTE) (contractor and direct hire) are required to complete the mission of each bureau. Until this point, only the federal side of the work equation was considered by reviewing the FAIR Act submission from each agency, however that did not paint the full picture of the total number of FTE that were dedicated to accomplishing the agency’s mission.

Until now, the total size and cost of the government’s workforce, both federal employees and contractors, has been disputed. By accounting for the contracted functions, federal managers will have a more accurate picture of how much they spend and how large their overall workforce is. Further, for those functions that are strategic in nature, this information will clarify where potential human capital needs are. For example, if a particular bureau has coded its functions as heavily IG, but also has a large contingent of contractors performing the same functions; it will be of interest to determine whether the function is commercial or whether IG functions are being performed by contractors. In some cases, bureaus that have a small number of government staff but a large number of contractors may be overly reliant on the private sector workforce and may not have the ability to properly monitor the contractors and their activities.

### 3. Key Observations

In accordance with the OMB SCI memo, the Department's analysis included a review of the contracts and information in the inventory for the purpose of:

1. Ensuring each contract in the inventory that is a personal services contract has been entered into, and is being performed, in accordance with applicable laws and regulations:

*There were no personal services being performed, as indicated by the survey respondents.*

2. Determining whether the agency is using contractor employees to perform IG functions:

*All survey respondents indicated that these contracts did not contain any IG functions.*

3. Determining whether the agency is giving special management attention, as set forth in FAR 37.114, to functions that are CAIG:

*In most cases where contractors performed CAIG functions, special management attention was provided by knowledgeable government personnel.*

Of the *sixty-seven* contracts in this analysis, 26 respondents (39%) reported that contractor performance involved CAIG functions. This is indicated in Figure 1.

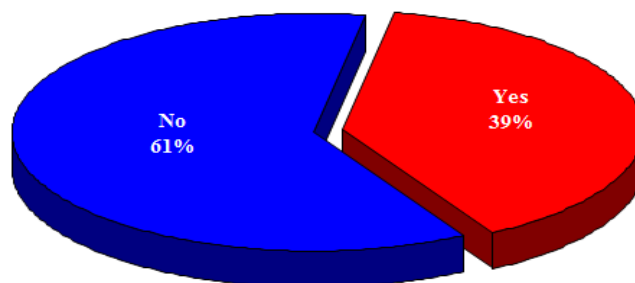


Figure 1: CAIG Functions

4. Determining whether the agency has specific safeguards and monitoring systems in place to ensure that work being performed by contractors has not changed or expanded during performance to become an IG function:

*Monitoring methods, such as having a COR or GTM in place to oversee contract requirements, ensured that work performed by contractors did not change or expand during contract performance to become an IG function.*

Government employees meet frequently with contract staff and their management to ensure contractor roles and tasks are well understood. In addition, federal government and contractor roles are delineated in a manner that provides no overlap of function. Contractor roles are determined by a Statement of Work (SOW) and as such are monitored by the CO, COR and GTM.



5. Determining whether the agency is using contractor employees to perform critical functions in such a way that could affect the ability of the agency to maintain control of its mission and operations:

*Based on respondent's interpretation of "critical function" in the sixty-seven contracts in this analysis, the data revealed that 60 respondents (90%) stated that contractors were not performing critical functions and 7 respondents (10%) indicated that contractors were performing critical functions. This is indicated in Figure 2.*

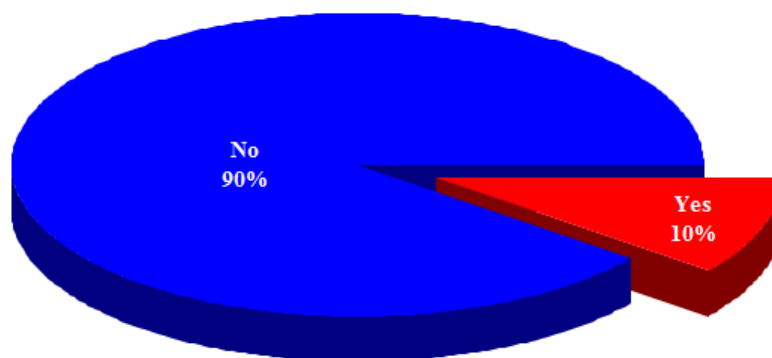


Figure 2: Critical functions

6. Determining whether there are sufficient internal agency resources to manage and oversee contracts effectively:

*There were sufficient government CORs and GTMs to oversee contract requirements to maintain sufficient oversight of contract performance.*

*For the sixty-seven contracts in this analysis, respondents overwhelmingly indicated that they had sufficient government expertise to oversee the contracts. The data revealed that 64 respondents (96%) stated that they had sufficient government expertise, and 3 respondents (4%) indicated that they did not have sufficient government expertise to oversee the contract. This is indicated in Figure 3.*

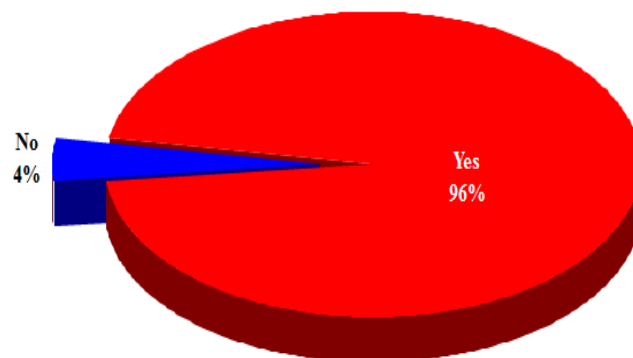


Figure 3: Sufficient government expertise

#### 4. Key Recommendations

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The SCI was a beneficial exercise for the Department. Based on a thorough review and analysis in conducting our third annual report, we recommend the following actions to improve our efforts in the future. Our recommendations include:

- When there is a switch of CO's and/or COR's on a contract, due diligence should be given to update those changes in the contract files and all electronic databases.
- Procurement staff should do a thorough review of the Procurement Instrument Identifier (PIID) in comparison to the Indefinite Delivery Vehicles (IDVs) PIID to make sure that these numbers are correct and reference a distinct contract when they are loaded into the Federal Procurement Data System (FPDS).
- Assemble the "Lessons Learned" by A/EX/CSM staff from the past three service contract analysis efforts and post them on A/EX/CSM's SharePoint site to assist CO's, COR's, GTM's and all others with future SCI analysis.
- A/EX/CSM will develop an electronic survey for collecting, maintaining and analyzing the data to identify additional trends and eliminate multiple entry requirements.
- A/EX/CSM will continue to support the Office of Acquisitions Management within the Bureau of Administration (A/LM/AQM) by providing guidance on the use of the Request for Services Contract Approval form "DS-4208" and by participating in the Office of Logistics Management's (A/LM) COR Conferences.
- A/EX/CSM is coordinating a revision of 3 Foreign Affairs Manual (FAM) 2160 policy on Balanced Workforce Guidelines and Procedures.

## **5. Appendix**

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### **5.1. Appendix A: Acronyms**

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|          |   |
|----------|---|
| A/EX/CSM | Collaborative Strategy and Management office within the Bureau of Administration's Executive Office |
| A/LM/AQM | Office of Acquisitions Management within the Bureau of Administration                               |
| CAIG     | Closely Associated to Inherently Governmental   |
| CO       | Contracting Officer   |
| COR      | Contracting Officer Representative  |
| FAIR     | Federal Activities Inventory Reform Act   |
| FAM      | Foreign Affairs Manual  |
| FAR      | Federal Acquisition Regulation  |
| FPDS     | Federal Procurement Data System   |
| FTE      | Full Time Equivalent  |
| FY       | Fiscal Year   |
| GFTE     | Government Full Time Equivalent   |
| GTM      | Government Technical Monitor  |
| IDV      | Indefinite Delivery Vehicles  |
| IG       | Inherently Governmental   |
| OMB      | Office of Management and Budget   |
| PIB      | Procurement Information Bulletin  |
| PIID     | Procurement Instrument Identifier   |
| PM       | Program/Project Manager   |
| PSC      | Product or Service Code   |
| QDDR     | Quadrennial Diplomacy and Development Review  |
| SCI      | Service Contract Inventory  |
| USG      | United States Government  |

## 5.2. Appendix B: FY12 Special Interest Function Codes Reviewed

| SPECIAL INTEREST FUNCTIONS - FY2012            |  |                   |
|--|--|-------------------|
| Product or Service Code                        | Product or Service Description   | Action Obligation |
| <b>PROFESSIONAL &amp; MANAGEMENT SERVICES</b>  |  |                   |
| R406   | POLICY REVIEW/DEVELOPMENT SERVICES   | \$ 1,386,068      |
| R407   | PROGRAM EVALUATION SERVICES  | \$ 19,996,412     |
| R408   | PROGRAM MANAGEMENT/SUPPORT SERVICES  | \$ 583,398,110    |
| R409   | PROGRAM REVIEW/DEVELOPMENT SERVICES  | \$ 272,116        |
| R707   | MGT SVCS/CONTRACT & PROCUREMENT SUP  | \$ 40,867,295     |
| R423   | INTELLIGENCE SERVICES  | \$ 12,136,674     |
| R425   | ENGINEERING AND TECHNICAL SERVICES   | \$ 2,939,197      |
| R414   | SYSTEMS ENGINEERING SERVICES   | \$ 3,430,460      |
| R497   | PERSONAL SERVICES CONTRACTS  | \$ 4,170,475      |
| <b>INFORMATION TECHNOLOGY SUPPORT SERVICES</b> |  |                   |
| D302   | ADP SYSTEMS DEVELOPMENT SERVICES   | \$ 15,875,213     |
| D307   | AUTOMATED INFORMATION SYSTEM SVCS  | \$ 48,638,790     |
| D314   | ADP ACQUISITION SUP SVCS   | \$ 939,852        |
| D310   | ADP BACKUP AND SECURITY SERVICES   | \$ 11,086,234     |
| <b>OTHER SERVICES</b>                          |  |                   |
| Y1AA   | CONSTRUCTION OF OFFICE BUILDINGS   | \$ 1,131,631,742  |
| S206   | HOUSEKEEPING- GUARD  | \$ 806,099,024    |
| R408   | SUPPORT- PROFESSIONAL: PROGRAM MANAGEMENT/SUPPORT                              | see above         |
| D399   | IT AND TELECOM- OTHER IT AND TELECOMMUNICATIONS                                | \$ 581,118,102    |
| J015   | MAINT/REPAIR/REBUILD OF EQUIPMENT- AIRCRAFT AND AIRFRAME STRUCTURAL COMPONENTS | \$ 470,078,800    |
| R706   | SUPPORT- MANAGEMENT: LOGISTICS SUPPORT   | \$ 420,397,899    |
| R699   | SUPPORT- ADMINISTRATIVE: OTHER   | \$ 185,615,993    |
| R799   | SUPPORT- MANAGEMENT: OTHER   | \$ 119,191,791    |
| R499   | SUPPORT- PROFESSIONAL: OTHER   | \$ 106,463,618    |
| S216   | HOUSEKEEPING-FACILITIES OPERATIONS SUPPORT                                     | \$101,619,006     |

## Department of State – Appendix C: FY12 Service Contract Inventory Summary

### 5.3 Appendix C: Service Contract Inventory Summary

| Service Contract Inventory Summary Report - Department of State |  |                  |                     | Contract Type Analysis (as % of PSC obligations) |        |        |        | Competition Analysis (as % of PSC obligations) |              |                               |       | Time of Obligations Analysis (as % of PSC obligations) |        |        |        | Small Business Analysis (as % of PSC obligations) |        |              |         |        |         |        |  |
|---|--|------------------|---------------------|--|--------|--------|--------|--|--------------|-------------------------------|-------|--|--------|--------|--------|---|--------|--------------|---------|--------|---------|--------|--|
| Product or Service Code   | Product or Service Code Description  | Obligations      | % Total Obligations | Fixed Price                                      | Cost   | T&M/LH | Other  | Competed                                       | Not Competed | Not Available for Competition | Blank | Q1   | Q2     | Q3     | Q4     | Small Business                                    | SDB    | 8(a) Program | VOSB    | SDVOSB | HUBZone | WOSB   |  |
| Special Interest Functions                                      |  |                  |                     |  |        |        |        |  |              |                               |       |  |        |        |        |   |        |              |         |        |         |        |  |
| B505  | COST BENEFIT ANALYSES  | \$ 0             | 0.00%               | N/A  | N/A    | N/A    | N/A    | N/A  | N/A          | N/A                           | N/A   | N/A  | N/A    | N/A    | N/A    | N/A   | N/A    | N/A          | N/A     | N/A    | N/A     | N/A    |  |
| D302  | ADP SYSTEMS DEVELOPMENT SERVICES   | \$ 15,875,213    | 0.27%               | 32.21%   | 0.00%  | 67.79% | 0.00%  | 84.51%   | 13.63%       | 1.86%                         | 0.00% | 0.00%  | 14.96% | 35.23% | 49.81% | 69.95%  | 27.79% | 27.79%       | 33.27%  | 0.00%  | 0.00%   | 4.76%  |  |
| D307  | AUTOMATED INFORMATION SYSTEM SVCS  | \$ 48,638,790    | 0.81%               | 7.90%  | 17.81% | 53.06% | 21.23% | 72.81%   | 25.84%       | 1.35%                         | 0.00% | 0.99%  | 21.20% | 36.09% | 41.72% | 52.37%  | 12.97% | 12.97%       | 0.00%   | 0.00%  | 0.00%   | 4.16%  |  |
| D310  | ADP BACKUP AND SECURITY SERVICES   | \$ 11,086,234    | 0.19%               | 100.00%  | 0.00%  | 0.00%  | 0.00%  | 100.00%  | 0.00%        | 0.00%                         | 0.00% | 0.00%  | 0.62%  | 0.25%  | 99.12% | 0.84%   | 0.00%  | 0.00%        | 0.00%   | 0.00%  | 0.00%   | 0.00%  |  |
| D314  | ADP ACQUISITION SUP SVCS   | \$ 939,852       | 0.02%               | 82.11%   | 0.00%  | 17.89% | 0.00%  | 61.36%   | 20.75%       | 17.89%                        | 0.00% | 36.45%   | 20.68% | 0.00%  | 42.87% | 58.61%  | 54.27% | 54.27%       | 54.27%  | 17.89% | 0.00%   | 0.00%  |  |
| R406  | POLICY REVIEW/DEVELOPMENT SERVICES   | \$ 1,386,068     | 0.02%               | 56.24%   | 0.00%  | 43.76% | 0.00%  | 83.34%   | 6.47%        | 10.19%                        | 0.00% | 16.08%   | 20.21% | 26.63% | 37.09% | 78.96%  | 30.97% | 10.19%       | 19.01%  | 19.01% | 18.55%  | 12.31% |  |
| R407  | PROGRAM EVALUATION SERVICES  | \$ 19,996,412    | 0.33%               | 10.30%   | 0.00%  | 78.90% | 10.80% | 100.00%  | 0.00%        | 0.00%                         | 0.00% | 0.41%  | 2.24%  | 73.36% | 24.00% | 3.89%   | 0.52%  | 0.00%        | 2.36%   | 0.00%  | 2.36%   | 1.01%  |  |
| R408  | PROGRAM MANAGEMENT/SUPPORT SERVICES  | \$ 583,398,110   | 9.76%               | 71.05%   | 6.97%  | 16.19% | 5.79%  | 91.77%   | 3.02%        | 3.70%                         | 1.51% | 8.81%  | 18.69% | 31.52% | 40.99% | 19.67%  | 8.43%  | 5.31%        | 5.53%   | 3.21%  | 1.00%   | 5.30%  |  |
| R409  | PROGRAM REVIEW/DEVELOPMENT SERVICES  | \$ 272,116       | 0.00%               | 78.64%   | 0.00%  | 21.36% | 0.00%  | 100.00%  | 0.00%        | 0.00%                         | 0.00% | 21.36%   | 0.00%  | 0.00%  | 78.64% | 78.64%  | 0.00%  | 0.00%        | 0.00%   | 0.00%  | 0.00%   | 0.00%  |  |
| R413  | SPECIFICATIONS DEVELOPMENT SERVICES  | \$ 0             | 0.00%               | N/A  | N/A    | N/A    | N/A    | N/A  | N/A          | N/A                           | N/A   | N/A  | N/A    | N/A    | N/A    | N/A   | N/A    | N/A          | N/A     | N/A    | N/A     | N/A    |  |
| R414  | SYSTEMS ENGINEERING SERVICES   | \$ 3,430,460     | 0.06%               | 13.72%   | 0.00%  | 86.28% | 0.00%  | 93.71%   | 6.29%        | 0.00%                         | 0.00% | 49.90%   | 6.29%  | 42.73% | 1.08%  | 100.00%   | 10.24% | 3.96%        | 10.76%  | 0.00%  | 0.00%   | 0.00%  |  |
| R423  | INTELLIGENCE SERVICES  | \$ 12,136,674    | 0.20%               | 95.73%   | 0.00%  | 4.27%  | 0.00%  | 100.00%  | 0.00%        | 0.00%                         | 0.00% | 0.00%  | 46.99% | 24.84% | 28.18% | 100.00%   | 0.00%  | 0.00%        | 100.00% | 0.00%  | 0.00%   | 0.00%  |  |
| R425  | ENGINEERING AND TECHNICAL SERVICES   | \$ 2,939,197     | 0.05%               | 44.25%   | 11.95% | 43.80% | 0.00%  | 85.88%   | 14.12%       | 0.00%                         | 0.00% | 15.89%   | 12.84% | 29.23% | 42.04% | 70.96%  | 53.27% | 53.27%       | 5.75%   | 0.00%  | 44.87%  | 47.14% |  |
| R497  | PERSONAL SERVICES CONTRACTS  | \$ 4,170,475     | 0.07%               | 75.22%   | 3.97%  | 20.82% | 0.00%  | 37.00%   | 3.06%        | 59.95%                        | 0.00% | 4.80%  | 3.97%  | 5.74%  | 85.50% | 66.97%  | 62.18% | 59.95%       | 4.80%   | 0.00%  | 0.00%   | 64.74% |  |
| R707  | MGT SVCS/CONTRACT & PROCUREMENT SUP  | \$ 40,867,295    | 0.68%               | 54.14%   | 0.29%  | 43.93% | 1.63%  | 66.05%   | 27.87%       | 2.57%                         | 3.52% | 19.68%   | 22.08% | 17.45% | 40.79% | 73.03%  | 41.36% | 11.64%       | 19.71%  | 9.09%  | 12.03%  | 9.08%  |  |
|   | TOTAL OBLIGATIONS  | \$ 5,978,118,947 |                     |  |        |        |        |  |              |                               |       |  |        |        |        |   |        |              |         |        |         |        |  |
| Biggest Percentage of Obligations                               |  |                  |                     |  |        |        |        |  |              |                               |       |  |        |        |        |   |        |              |         |        |         |        |  |
| Y1AA  | CONSTRUCTION OF OFFICE BUILDINGS   | \$ 1,131,631,742 | 18.93%              | 99.82%   | 0.01%  | 0.09%  | 0.08%  | 99.20%   | 0.31%        | 0.40%                         | 0.09% | 17.86%   | 9.06%  | 5.98%  | 67.10% | 17.83%  | 2.41%  | 3.26%        | 1.63%   | 0.65%  | 1.57%   | 3.27%  |  |
| S206  | HOUSEKEEPING- GUARD  | \$ 806,099,024   | 13.48%              | 11.92%   | 0.00%  | 87.47% | 0.61%  | 86.25%   | 13.21%       | 0.54%                         | 0.00% | 5.28%  | 13.28% | 32.43% | 49.02% | 2.61%   | 2.46%  | 0.22%        | 0.66%   | 0.66%  | 0.00%   | 0.35%  |  |
| R408  | SUPPORT- PROFESSIONAL: PROGRAM MANAGEMENT/SUPPORT                              | see above        |                     |  |        |        |        |  |              |                               |       |  |        |        |        |   |        |              |         |        |         |        |  |
| D399  | IT AND TELECOM- OTHER IT AND TELECOMMUNICATIONS                                | \$ 581,118,102   | 9.72%               | 63.34%   | 0.25%  | 35.39% | 1.01%  | 89.11%   | 4.97%        | 5.36%                         | 0.56% | 8.62%  | 15.44% | 24.43% | 51.51% | 45.93%  | 33.50% | 14.61%       | 2.60%   | 1.86%  | 4.35%   | 3.96%  |  |
| J015  | MAINT/REPAIR/REBUILD OF EQUIPMENT- AIRCRAFT AND AIRFRAME STRUCTURAL COMPONENTS | \$ 470,078,800   | 7.86%               | 100.00%  | 0.00%  | 0.00%  | 0.00%  | 99.71%   | 0.29%        | 0.00%                         | 0.00% | 20.76%   | 26.27% | 15.14% | 37.83% | 0.14%   | 0.00%  | 0.00%        | 0.00%   | 0.00%  | 0.00%   | 0.00%  |  |
| R706  | SUPPORT- MANAGEMENT: LOGISTICS SUPPORT   | \$ 420,397,899   | 7.03%               | 43.74%   | 52.00% | 4.26%  | 0.00%  | 97.48%   | 1.29%        | 1.17%                         | 0.06% | 0.90%  | 51.83% | 10.07% | 37.20% | 4.33%   | 1.52%  | 1.25%        | 2.85%   | 0.55%  | 0.00%   | 0.76%  |  |
| R699  | SUPPORT- ADMINISTRATIVE: OTHER   | \$ 185,615,993   | 3.10%               | 57.80%   | 8.60%  | 20.60% | 13.00% | 51.14%   | 27.96%       | 17.16%                        | 3.74% | 8.03%  | 36.91% | 22.22% | 32.84% | 31.01%  | 17.79% | 12.43%       | 13.23%  | 9.75%  | 5.60%   | 3.18%  |  |
| R799  | SUPPORT- MANAGEMENT: OTHER   | \$ 119,191,791   | 1.99%               | 64.78%   | 11.17% | 24.04% | 0.00%  | 32.76%   | 46.15%       | 20.31%                        | 0.78% | 4.44%  | 35.78% | 12.44% | 47.34% | 33.28%  | 29.41% | 28.22%       | 5.79%   | 2.76%  | 0.89%   | 8.63%  |  |
| R499  | SUPPORT- PROFESSIONAL: OTHER   | \$ 106,463,618   | 1.78%               | 58.51%   | 4.51%  | 35.43% | 1.55%  | 78.39%   | 14.06%       | 4.39%                         | 3.16% | 19.19%   | 17.85% | 28.49% | 34.47% | 22.96%  | 10.87% | 5.35%        | 11.24%  | 5.67%  | 0.07%   | 1.80%  |  |
| S216  | HOUSEKEEPING- FACILITIES OPERATIONS SUPPORT                                    | \$ 101,619,006   | 1.70%               | 88.68%   | 7.77%  | 3.45%  | 0.10%  | 62.01%   | 37.22%       | 0.77%                         | 0.00% | 3.34%  | 8.88%  | 44.42% | 43.36% | 21.50%  | 18.00% | 13.84%       | 2.56%   | 2.56%  | 15.89%  | 1.71%  |  |
|   | TOTAL OBLIGATIONS  | \$ 5,978,118,947 |                     |  |        |        |        |  |              |                               |       |  |        |        |        |   |        |              |         |        |         |        |  |

## 5.4 Appendix D: OMB Service Contract Inventory Memo



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

November 5, 2010

MEMORANDUM FOR CHIEF ACQUISITION OFFICERS  
SENIOR PROCUREMENT EXECUTIVES

FROM: Daniel I. Gordon  
Administrator

SUBJECT: Service Contract Inventories

Section 743 of Division C of the FY 2010 Consolidated Appropriations Act, P.L. 111-117, requires civilian agencies to prepare an annual inventory of their service contracts. This memorandum provides guidance to help agencies prepare their initial inventory covering service contracting in FY 2010.

A service contract inventory is a tool for assisting an agency in better understanding how contracted services are being used to support mission and operations and whether the contractors' skills are being utilized in an appropriate manner. An agency manager can gain insight into where, and the extent to which, contractors are being used to perform activities by analyzing how contracted resources are distributed by function and location across the agency and within its components. This insight is especially important for contracts whose performance may involve critical functions or functions closely associated with inherently governmental functions, as may be the case, for example, with contracts for various professional, administrative and management services falling within "Code R" of the Product and Services Code (PSC) Manual. Information about how contract resources are distributed, when taken into consideration as part of a balanced workforce analysis, can help an agency determine if its practices are creating an over-reliance that requires increased contract management or rebalancing to ensure the government is effectively managing risks and getting the best results for the taxpayer.

To maximize the management benefits associated with a service contract inventory and to ensure consistency across agencies, FY 2010 inventories shall be developed by agencies in accordance with the attached guidance. OMB will issue additional guidance to address the preparation of FY 2011 inventories, taking into consideration experiences with the development and use of FY 2010 inventories.

In accordance with section 743, agencies required to submit an inventory in accordance with the Federal Activities Inventory Reform Act of 1998 (Public Law 105-270; 31 U.S.C. 501 note), other than the Department of Defense, shall also prepare a service contract inventory.

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Completed inventories shall be submitted to OMB's Office of Federal Procurement Policy (OFPP) through the MAX system. Agencies shall make the inventory available to the public by January 30, 2011. Additional instructions are provided in the attached guidance.

Questions regarding this memorandum may be referred to Jennifer Swartz (tel. 202-395-6811; e-mail: [jswartz@omb.eop.gov](mailto:jswartz@omb.eop.gov)) or Mathew Blum (tel. 202-395-4953; e-mail: [mblum@omb.eop.gov](mailto:mblum@omb.eop.gov)) in OFPP.

Attachment



Attachment

**Guidance for the  
Development and Analysis of Service Contract Inventories for FY 2010**

The effective development and analysis of a service contract inventory as part of human capital planning can help an agency determine if its mix of federal employees and contractors for a given program is effectively balanced or if rebalancing may be required. The Office of Federal Procurement Policy (OFPP) has developed the following guidance to support the creation of service contract inventories for FY 2010.

**A. Scope of coverage**

1. **Covered agencies.** Agencies subject to section 743 of Division C of the FY 2010 Consolidated Appropriations Act, P.L. 111-117, shall follow these instructions to address the requirements in section 743. Section 743 applies to agencies, other than the Department of Defense, that are required to submit an inventory in accordance with the Federal Activities Inventory Reform Act of 1998 (Public Law 105-270, 31 U.S.C. 501 note).

2. **Covered contract actions.** Agency inventories should include all service contract actions over \$25,000 that were awarded in FY 2010. Agencies should include contract actions that they have funded, including contract actions made on their behalf by other agencies. Similarly, agencies should exclude contract actions that they have made on another agency's behalf with the other agency's funding.

**B. Development of inventory**

1. **Data elements.** Using information in the Federal Procurement Data System (FPDS), agencies shall develop an inventory of their covered contract actions that includes the elements identified in section 743(a)(3) that are currently available in FPDS. FY 2010 inventories will not be required to include (i) the number of contractor employees, (ii) the total dollar amount invoiced for services, and (iii) the role the services play in achieving agency objectives. Separate efforts are being pursued to facilitate a standard, government-wide data collection process for this information so that it may be incorporated into agency inventories beginning in FY 2011. See Appendix A for a list of required elements for the FY 2010 inventory (and those that will be required in FY 2011). Additional information about the FY 2011 inventory is provided in subsection E, below.

2. **Structure.** The inventory shall be prepared in the standard format and data sequence shown in Appendix B. This standard format requires agencies to organize contract activity by service code to support reviews of contract activity that are focused around specific agency functions. Agencies shall also prepare a summary of their inventory using the standard format in Appendix C. The summary is designed to highlight information on the use of contractors to perform "special interest functions" (see subsection C, below) and also to show the services that accounted for the agency's greatest percentage of spend in FY 2010. Instructions for

downloading information from FPDS into the required formats are provided on the MAX community page, available at <https://max.omb.gov/community/x/z4OqHQ>.

3. **Submission and posting.** Agencies shall adhere to the following statutory deadlines for completion of their inventories:

a. **Submission to OMB.** By December 30, 2010, each agency that is required to submit an inventory in accordance with the Federal Activities Inventory Reform Act of 1998 (Public Law 105-270; 31 U.S.C. 501 note), other than the Department of Defense, shall submit the inventory prepared in accordance with this guidance to OFPP. Submissions shall be made through the MAX system at <https://max.omb.gov/community/x/z4OqHQ>. Instructions for registering with MAX can be found at <https://max.omb.gov/maxportal/>.

b. **Publication.** By January 30, 2011, the agency shall (1) make the inventory available to the public by posting the inventory on its agency homepage, (2) provide OFPP with the Web site address (URL) on which the inventory is being posted so that the inventory can be linked to a central OMB Web page, and (3) publish in the *Federal Register* a notice that the inventory is available to the public along with the name, telephone number, and e-mail address of an agency point of contact.

### C. **Analysis of inventory**

By June 30, 2011, agencies shall conduct a meaningful analysis of the data in their inventories for the purpose of determining if contract labor is being used in an appropriate and effective manner and if the mix of federal employees and contractors in the agency is effectively balanced. Analyses shall cover the elements called for by section 743(e)(2) (see Appendix D for a description of these elements), and be based on reviews informed through sampling of contract files, interviews of program managers and contracting officer technical representatives, and other appropriate information-gathering activities. In carrying out these actions, agencies should review OMB's rebalancing guidance, OMB Memorandum M-09-26, issued on July 29, 2009, and take into consideration, as appropriate, the management responsibilities described in OFPP's proposed policy letter, "Work Reserved for Performance by Federal Government Employees" (75 Fed. Reg. 16188; March 31, 2010), or the final form of that policy letter, when issued. They should also refer to any relevant internal guidance addressing contract management and balanced workforce planning.

As required by section 743(e)(3) and (4), agency analyses should identify contracts that have been poorly performed, as determined by the responsible contracting officer, because of excessive costs or inferior quality; and contracts that should be considered for conversion to--

- (i) performance by Federal employees of the executive agency in accordance with agency insourcing guidelines required under section 736 of the Financial Services and General Government Appropriations Act, 2009 (Public Law 111-8, division D) and OMB Memorandum M-09-26; or



- (ii) an alternative acquisition approach that would better enable the agency to efficiently utilize its assets and achieve its public mission.

Recognizing the challenges associated with conducting meaningful reviews of every contracted function simultaneously, which may involve tens of thousands of actions for some federal organizations and many thousands for others, agencies should give priority consideration to special interest functions. Special interest functions are functions that require increased management attention due to heightened risk of workforce imbalance.

Accordingly, agency reviews shall give priority consideration to agency use of contracted (a) professional and management services and (b) information technology support services. Review of professional and management services should include acquisition support and an appropriate sampling of policy and program management and development services. An illustrative list of suitable functions is provided in Table 1, below. These functions have been identified by OMB for heightened management consideration, based on concerns of increased risk of losing control of mission and operations as identified through a review of reports issued in recent years, such as by the Government Accountability Office, the Commission on Wartime Contracting, agency Inspectors General, Congressional Committees, and the Acquisition Law Advisory Panel (also referred to as the “SARA Panel”), as well as by OMB’s own analysis.

**Table 1. Special Interest Functions – FY 2010**

| <b>Description of Function</b>                     | <b>Product &amp; Service Code</b> |
|--|-----------------------------------|
| <b>PROFESSIONAL &amp; MANAGEMENT SERVICES</b>      |                                   |
| Cost Benefit Analyses                              | B505                              |
| Policy Review/Development Services                 | R406                              |
| Program Evaluation Services                        | R407                              |
| Program Management/Support Services                | R408                              |
| Program Review/Development Services                | R409                              |
| Specifications Development Service                 | R413                              |
| Management Services/Contract & Procurement Support | R707                              |
| Intelligence Services                              | R423                              |
| Engineering and Technical Services                 | R425                              |
| Systems Engineering Services                       | R414                              |
| Personal Services Contracts                        | R497                              |
| <b>INFORMATION TECHNOLOGY SUPPORT SERVICES</b>     |                                   |
| ADP Systems Development Services                   | D302                              |
| Automated Information Systems Services             | D307                              |
| ADP System Acquisition Support Services            | D314                              |
| ADP Backup and Security Services                   | D310                              |

Although agencies are expected to evaluate the types of services described above, reviews are not intended to be limited to these activities. Each agency should identify additional contracted functions, as appropriate, and especially if they are critical functions,<sup>1</sup> where the agency may be at risk of overreliance on contractors or other challenges, based on factors such as inadequate contract management support, historical performance challenges associated with contracting, or the level of risk associated with contract performance. Agencies may wish to consider a broader review of a functional area that was the subject of the agency's workforce pilot (under Attachment 2 of M-09-26) where the analysis indicated the agency was overly reliant on contractors. Agency evaluations should be conducted as part of, or in conjunction with, human capital workforce planning reviews and should consider, as appropriate, information in inventories prepared in accordance with the Federal Activities Inventory Reform Act.

In many cases, analysis will reveal that contractor performance remains an acceptable choice, but may require increased oversight to manage performance risk. In some cases, however, analysis may indicate that the work must or should be performed by federal employees.

#### **D. Agency reporting**

By March 1, 2011, the agency should inform OFPP of the special interest functions, by PSC code that it will analyze from the FY 2010 inventory. By December 30, 2011, each agency shall submit a report to OMB that discusses the analyses conducted pursuant to subsection C and the actions taken, including any actions taken to convert functions from contractor to Federal employee performance. The report should indicate concurrence, at a minimum, by the Chief Acquisition Officer / Senior Procurement Executive, the Chief Human Capital Officer, and, if information technology functions are identified as special interest functions, the Chief Information Officer. The report shall include an executive summary suitable for public disclosure with the FY 2011 inventory.

#### **E. Future inventories**

1. **Additional inventory data elements.** Beginning in FY 2011, agency inventories will be required to include: (i) the number of contractor and first tier subcontractor employees, (ii) the total dollar amount invoiced for services, and (iii) the role the services play in achieving agency objectives. This additional information can help to provide a more detailed understanding of how an agency is using contractors to accomplish its mission. Greater visibility into the amount of contractor (and subcontractor) personnel may help an agency in performing a balanced workforce analysis, especially for professional and technical services that are performed by contractor and government personnel co-located in government workspace. Knowing the amount invoiced, in combination with direct labor hours, may help an agency assess the cost-effectiveness of contracted labor.

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<sup>1</sup> For purposes of this guidance document, critical functions are those that are necessary to the agency being able to effectively perform and maintain control of its mission and operations. A function that would not expose the agency to risk of mission failure if performed entirely by contractors is not a critical function for these purposes.

Information on the number of contractor employees is not currently collected on a government-wide basis and requires a regulatory action so that this information may be obtained in a consistent manner from contractors. Information regarding the role the service plays requires additional documentation in the contract file. The Federal Acquisition Regulatory Council will soon publish regulatory changes to address the collection of this information so that these elements may be included in agencies' inventories beginning in FY 2011.

2. **Updating of special interest functions.** Prior to issuing guidance for the FY 2011 inventory, OMB will confer with the President's Management Council, the Chief Acquisition Officers Council, the Chief Human Capital Officers Council, the Chief Financial Officers Council, and the Chief Information Officers Council to consider additions or changes to the list of special interest functions in Table 1 based on current management challenges. Agencies will be expected to continually review and revise, as appropriate, special interest functions for priority analysis.

cc: Chief Human Capital Officers  
Chief Information Officers  
Chief Financial Officers